

Message Text

LIMITED OFFICIAL USE

PAGE 01 CAIRO 07728 061420Z

43

ACTION NEA-10

INFO OCT-01 ISO-00 SAB-01 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 H-02 PA-01 PRS-01 NEAE-00 /086 W

----- 098867

R 061333Z AUG 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 5652

LIMITED OFFICIAL USE CAIRO 7728

E.O. 11652: NA

TAGS: USEGJC EGEN

SUBJECT: LIBERALIZATION OF ECONOMY - PEOPLES

ASSEMBLY PASSES NEW LAWS

REF: CAIRO 7378

SUMMARY: JUST PRIOR TO END-JULY ADJOURNMENT, PEOPLE'S ASSEMBLY PASSED NUMBER OF LAWS INTENDED TO FURTHER LIBERALIZE ECONOMY AND FACILITATE DEVELOPMENT. PASSAGE REPRESENTS DOMESTIC POLITICAL SUCCESS FOR PM SALEM AND HIS CABINET, BUT ANALYSIS OF POTENTIAL ECONOMIC EFFECT OF INDIVIDUAL LAWS WILL HAVE TO AWAIT PUBLICATION. IN GENERAL AND PRELIMINARY TERMS, MEASURES SHOULD HAVE BENEFICIAL EFFECTS, PARTICULARLY THOSE DEALING WITH REDUCING RIGIDITY OF PUBLIC SECTOR AND EGYPTIAN BANKING SYSTEM. END SUMMARY.

1. IN LAST FEW DAYS OF PAST SESSION, PEOPLE'S ASSEMBLY WENT THROUGH CATHARTIC EFFORT TYPEICAL OF SUCH ORGANIZATIONS EVERYWHERE, AND PASSED NUMBER OF LAWS THAT HAD BEEN IN COMMITTEES OR AT LEAST DISCUSSION STATE FOR A WHILE. GIVEN NATURE OF SITUATION, IT MAY BE SOMETIME BEFORE LAWS APPEAR, AND EVEN MORE BEFORE THEY ARE IN EFFECT, BUT THEY ARE SIGNIFICANT

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 CAIRO 07728 061420Z

FROM POINT OF VIEW OF OBJECTIVE OF SADAT REGIME, AND IN

PARTICULAR PM SALEM'S GOVERNMENT, TO SHOW FORWARD PROGRESS.

2. ORGANIZATION OF PUBLIC SECTOR. ASSEMBLY PASSED GOE'S DRAFT LAW, WITH ONLY MINOR MODIFICATIONS AND WITH LITTLE OPPOSITION, DESIGNED TO MAKE MAJOR REVISIONS IN PUBLIC SECTOR. EXTENT OF REVISIONS AND THEIR EVENTUAL IMPACT ON ECONOMY WILL BECOME CLEARER WITH PUBLICATION OF LAW, BUT SOME OF PRINCIPAL CHANGES HAVE BEEN ANNOUNCED: A) ABOLITION OF MOST GENERAL ORGANIZATIONS, REPLACING THEM WITH SMALLER NUMBER OF COUNCILS COMPOSED OF CHARIMEN OF COMPANIES IN THE FIELD, REPORTING DIRECTLY TO MINISTERS CONCERNED AND SUPPORTED BY STAFF OF EXPERTS; B) REDUCTION/ELIMINATION OF FINANCIAL AND OPERATIONAL CONTROLS OVER ACTIVITIES OF INDIVIDUAL COMPANIES; C) MODIFICATION OF RULES FOR ORGANIZATION OF AND ELECTION TO BOARDS OF DIRECTORS OF COMPANIES AND D) FACILITATION OF ESTABLISHMENT OF JOINT STOCK COMPANIES IN PUBLIC SECTOR (THIS MAY REFER TO PLANNED ISSUANCE OF STOCKS BY SUCH COMPANIES FOR SALE TO GENERAL PUBLIC ANNOUNCED EARLIER (CAIRO 5137). PRESS HAS ALSO BEGUN TO MAKE GUARDED REFERENCES TO POSSIBILITY THAT LAY-OFFS IN PUBLIC SECTOR ORGANIZATIONS MAY BE PERMITTED UNDER NEW LAW, A MAJOR DEPARTURE FROM ARAB SOCIALISM, AND FIRST LOW-KEY INDICATION THAT GOE MAY ACUTALLY MOVE IN THIS DIRECTION.

3. PM SALEM HAS DESCRIBED THE NEW LAW AS AN "UPHEAVAL" OF PRODUCTION AND SERVICES SECTORS OF ECONOMY, DESIGNED TO INCREASE PRODUCTIVITY AND FACILITATE PROVISIONS OF SERVICES TO PEOPLE. HE ALSO SAID THAT FULL IMPLEMENTATION WOULD TAKE SIX MONTHS, AN INDICATION THAT CHANGES ARE PERVASIVE AND WILL REQUIRE BOTH TIME AND EFFORT.

4. IMPORT AND EXPORT. ASSEMBLY PASSED LAW RELATED TO TRADE AFTER WHAT WAS REPORTED TO BE FARLY HOT DEBATE. CHIEF ISSUE WAS PROBLEM OF FREEING RULES ON OMPORTS AND EXPORTS WHILE EGYPT ENGAGED IN PURSUING A "PLANNED ECONOMY" COURSE, ATTEMPTING TO MATCH "BURGEONING DEMANDS WITH STATIC (READ SHRINKING) ASSETS". LAW, NOT YET PUBLISHED, APPARENTLY PUTS INTO EFFECT STEPS (REPORTED IN CAIRO 5330) PERMITTING PRIVATE SECTOR TO PARTICIPATE IN FULL RANGE OF OMPORT ACTIVITIES, INCLUDING IMPORTS FOR PUBLIC SECTOR (EXCEPT FOR SUBSIDIZED AND STRATEGIC GOODS). BILL ALSO PROVIDES FOR FREER IMPORTATION OF LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 CAIRO 07728 061420Z

PERSONAL AND LUXURY GOODS IF NO CURRENCY TRANSFERS ARE INVOLVED (THIS IS "OWN CURRENCY" PROGRAM).

5. INSURANCE. BILL PROVIDING FOR "DEVELOPMENT OF INSURANCE SECTOR" WAS PASSED WITHOUT DEBATE. IT IS INTENDED TO CREATE FURTHER OPPORTUNITIES FOR PARTICIPATION OF INSURANCE COMPANIES, WHICH ARE ALL IN PUBLIC SECTOR, IN DEVELOPMENT AND EXPANSION OF ECONOMY INCLUDING PROJECTS UNDERTAKEN BY FOREIGN CAPITAL.

LAW FURTHER TIGHTENS CONTROL OVER INSURANCE ACTIVITIES BY GENERAL INSURANCE ORGANIZATION, AND STIPULATES REGISTRATION WITH ORGANIZATION AS PREREQUISITE FOR BROKERS AND EXPERTS.

6. BANKING. IN ADDITION TO MEASURES DESCRIBED IN CAIRO 7378, NEW LAW REPORTEDLY PERMITS MEMBERS OF BOARD OF EGYPTIAN BANKS TO REPRESENT THEIR BANKS ON BOARDS OF JOINT VENTURE BANKS IN WHICH THEY ARE PARTICIPATING,

7. COMMENT:PM SALEM CONTINUES TO MAKE VISIBLE PROGRESS IN ACHIEVING ANNOUNCED AIMS OF SADAT REGIME, EVEN IF MAJORITY OF CHANGES THUS FAR ENACTED ARE CARRY-OVERS FROM EFFORTS INITIALLY LAUNCHED BY FORMER PM HEGAZY. GOE HAS WORKED HARD TO CONVINCE ASSEMBLY OF NEED FOR MANY OF THE MEASURES PUT FORWARD, WITHOUT USING NOTICEABLE MUSCLE AND WITH GRACEFUL ACCEPTANCE OF FAILURE WHERE RESISTANCE WAS TOO GREAT OR THE PROBLEMS TOO COMPLEX, E.G. DRAFT UNIFIED EMPLOYMENT LAW, TO REPLACE THREE NOW IN EFFECT (GOE, PUBLIC SECTOR, PRIVATE SECTOR), WILL BE HELD OVER UNTIL SESSIONS BEGIN IN THE FALL. ASSEMBLY SPEAKER MAREI HAS ADMITTED THAT ASSEMBLY COOPERATED MORE CLOSELY WITH SALEM'S GOVERNMENT THAN WITH THAT OF HEGAZY, BUT POINTED OUT THAT SUCH COOPERATION DID NOT ENTAIL FORFEIT OF ASSEMBLY'S ROLE IN PROTECTING RIGHTS AND INTERESTS OF POPULATION.

8. WITH ASSEMBLY NOW IN RECESS, RATE OF CHANGE IN ECONOMIC SECTORS AS RESULT MODIFICATIONS OF LAWS SHOULD DECREASE SHARPLY. GOE EVIDENTLY DOES NOT INTEND TO LET PACE OF LIBERALIZATION SLOW, HOWEVER, TO EXTENT STEPS CAN BE TAKEN BY MINISTERIAL OR PRESIDENTIAL DECREE. PM STATED THAT PROBLEMS LEFT UNSOLVED BY FAILURE OF EMPLOYMENT LAW TO PASS, FOR EXAMPLE, CAN BE PARTIALLY CORRECTED THROUGH USE OF INCENTIVES AND ALLOWANCES. (PRESS HAS ANNOUNCED THAT GOE, IN AT LEAST PARTLY RELATED MOVE, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 CAIRO 07728 061420Z

WILL DISTRIBUTE LE 40 MILLION OF REFUNDS FROM WORKERS' SAVINGS TO 6 MILLION EMPLOYEES IN GOVT, PUBLIC AND PRIVATE SECTORS). CABINET HAS ALREADY ANNOUNCED THAT ITS NEXT MEETINGS WILL FOCUS ON "OPEN DOOR" POLICY AND MEANS TO INSURE ITS APPLICATION ACROSS BOARD, WITH EMPHASIS ON REMOVAL OF OBSTACLES TO INVESTMENTS. THESE WILL INVOLVE ADMINISTRATION AND ORGANIZATIONAL EFFORTS TO OVERCOME AN EXTREMELY INTRACTABLE PROBLEM, BUT SALEM GIVES IMPRESSION THAT HE MEANS TO TRY. MAESTRONE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LAW, ECONOMIC PROGRAMS, DEVELOPMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: johnsorg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CAIRO07728
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750271-0727
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750875/aaaacnwa.tel
Line Count: 163
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 CAIRO 7378
Review Action: RELEASED, APPROVED
Review Authority: johnsorg
Review Comment: n/a
Review Content Flags:
Review Date: 30 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 JUL 2003 by MartinML>; APPROVED <24 DEC 2003 by johnsorg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LIBERALIZATION OF ECONOMY - PEOPLES ASSEMBLY PASSES NEW LAWS
TAGS: EGEN, EG, USEGJC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006